

4 JUN 1976

MEMORANDUM FOR THE RECORD

SUBJECT: House Appropriations Committee Staff (HACS) Questions

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1. At 1000 hours on 3 June 1976, Messrs. McEliece and Shannon of the HACS met [redacted] [redacted] STAT
[redacted] to discuss certain aspects of support to the [redacted] and STAT
[redacted] projects. Mr. McEliece provided some background regarding the staff's investigative charter then stated that they still have some questions, or perhaps confusion, regarding our method of funding or pricing the support we provide to operations. He noted three sets of STAT
circumstances which led to their questions:

[redacted]

Mr. McEliece frankly stated that it was the staff's concern that our treatment of contingency stocks and pricing might be providing a resource by which project authorizations out of the contingency reserve fund can, in effect, be increased internally.

2. The staff officers had asked for balances in the contingency stock allocations as of 1 August 1974 and 1 August 1975. They thought they might relate those balances in some way to the stockage objective approved by Mr. Colby in 1974 and the current stockage objective approved in 1976. While those balances could have been provided, it was explained to the gentlemen that such a relationship could not be established since the inventory balances are real and the objective-dollars are just that -- an objective. Further, allocation codes used in the 1974 stockage objective are not the same as those used in the 1976 objective due to a change in identification of the contingency mix. They agreed that a list of inventory balances by allocation for those time periods would be meaningless for their purposes.

3. A lengthy discussion followed on the subject of allocations. The staff members desired definitions of the various allocations of contingency stock. Detailed definitions/content of those allocations

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STAT were contained in the memorandum requesting DCI approval of the 1974 stockage objective and a copy of that memorandum was given to the staff members. (Memorandum dated 8 July 1974 from Director of Logistics to the DCI, subject: "Stockage Objective for Ordinance Materiel".) Mr. Shannon asked which allocations contained the excess materiel and [] responded that, for the most part, Allocations 03 and 09 had been established for that -- 03 for excess materiel which is being retained because it is valuable and useful but which will not be replenished, and 09 for that materiel which is truly excess and is awaiting disposal. Mr. Shannon, in examining requisitions for [] noted that materiel issued as excess had come from allocations other than 03 and 09 and wanted to know why. [] explained that there are excesses in several of the allocations and that his staff is in the process of adjusting those allocations to reflect the excesses appropriately in 03 or 09; however, that had not been done at the time the materiel was issued to [] and resulted in the citation of other allocation codes. Mr. Shannon understood and accepted that explanation. STAT

STAT 4. The staff members then asked if we could provide recent balances in the contingency stockpile using the allocation codes identified in the 1976 stockage objective. [] told them that he could provide such balances as of 30 April 1976 and would do so as quickly as possible. STAT

5. After some general conversation regarding the volume of unliquidated obligations in the "M" Accounts, and not related to the purpose of their visit to OL, the staff members thanked us for our help and departed at 1130 hours.

[] STAT
Chief, Plans and Programs Staff, OL

STAT cc: []

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